

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 761 - Early Childhood Policy (LSB 2948 HV.1)

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Fiscal Note Version – As Amended and Passed By the House

Description

House File 761, as amended and passed by the House, requires the Community Empowerment Office to develop a plan to physically or virtually co-locate the administrative offices of State programs for children from birth to age five. The Bill specifies that the plan must address certain programs currently located in the Departments of Education, Human Services, and Public Health, as well as others that may be identified.

The Iowa Empowerment Board must require the Community Empowerment Areas and the administrators of the newly co-located early childhood programs to annually report to the public the results produced by their programs. Supporting information is to be made available with the report, including the methodology, the form utilized, and the background data.

The Board is also required to implement an Internet-based single point of contact for parents to access the Community Empowerment and other State-funded early childhood programs available in their area. The system must provide capacity for each Community Empowerment Area to implement its own web site or web page, in lieu of the statewide site or page.

The Iowa Empowerment Board is directed to submit annual policy recommendations to the Governor and the General Assembly for assisting parents in providing full-time at-home care for their children from birth through age five.

The Bill requires the Department of Human Services (DHS) to establish a voluntary Quality Rating System (QRS) for child care, with implementation to begin on or after January 1, 2006. The DHS may modify implementation of the QRS based on the level of funding made available for FY 2006. As of July 1, 2005, the DHS must no longer accept applications for the "Gold Seal" quality child care provider designation.

The Bill requires the Iowa Empowerment Board and the agencies represented on the Board to apply for Iowa to participate in a Head Start pilot program designed to promote coordination of Head Start, preschool, and child care in a comprehensive early childhood system, if such a pilot program is offered by the federal government and the program does not adversely affect Head Start programs in Iowa.

Background

The local Community Empowerment Area boards are currently permitted to retain 3.0% of State funds and 5.0% of federal funds for administrative purposes. This may not be adequate to meet the increased reporting requirements of House File 761.

The original fiscal estimate on the Bill, prior to amendment on the House floor, addressed the cost of physically co-locating the programs specified in the Bill. The Bill no longer requires physical co-location and permits virtual co-location, which would cost significantly less. Because the extent of physical co-location that would be undertaken as a result of the enactment of HF 761 is unknown, it is not possible to estimate the costs of co-location. It is assumed the costs would not be significant.

In 1999, the General Assembly established a two-tier quality rating system for child care centers and homes. The first tier consisted of the registration of child development homes and the licensing of child care centers. The second tier consisted of the "Gold Seal" Program that recognized providers who achieved national accreditation and maintained compliance with regulation through the provision of monetary awards. According to the DHS, less than 1.0% of the 6,000 registered child development homes and less than 11.0% of the 1,500 licensed child care centers were "Gold Seal" recipients as of December 2004 due to the high expense required to attain accreditation and a lack of incentive or low reward for doing so.

In 2003, the General Assembly requested that the State Child Care Advisory Council convene a work group to study quality ratings from other states and make recommendations for Iowa. The work group recommended a voluntary QRS that would raise the quality of child care, increase the number of children in high-quality child care settings, and educate parents regarding quality in child care. After considering these recommendations, the 2004 General Assembly directed the DHS, in partnership with other agencies and organizations, to submit a plan by December 2004 for the implementation of a voluntary QRS in SF 2298 (FY 2005 Omnibus Appropriations Act).

Assumptions

1. Initial development of the single-point-of-contact web site will cost \$2,000, a one-time expense in FY 2006. Ongoing maintenance of the site will cost \$3,000 per year.
2. The Community Empowerment Office will require an additional FTE position for a data coordinator at a cost of \$68,000 for salary and benefits in FY 2006. A 4.0% increase in salary and benefits is assumed for FY 2007.
3. Most, if not all, of the co-location of programs will be of a virtual nature, rather than physical. The costs, therefore, will not be significant.
4. Cost projections for the Quality Rating System are based on the components for a QRS set forth in the required plan submitted in December 2004; however, the DHS will design the QRS within the parameters of available funds.
5. Costs associated with the development of the design of the QRS will begin on July 1, 2005, and costs associated with implementation will begin on January 1, 2006.
6. It is unknown how many of the 7,500 regulated child care providers will participate in the voluntary QRS.
7. It is estimated that there will be an increase in administrative and support costs to contract for Project Managers that will develop, review, and process rating certificates and associated data.
8. It is estimated that there will be increased costs associated with marketing the QRS, creating public awareness, and developing a communications plan that will provide information to parents, providers, and the public, which will include web-based information.
9. It is estimated that there will be increased costs associated with providing support to providers through five Child Care Center Specialists. These Specialists will be employed in Child Care Resource and Referral or other community-based agencies to provide technical assistance and follow-up for providers who complete training, environmental ratings, or self-assessments.
10. It is estimated that there will be increased costs to support the development and completion of an Environmental Rating Scale and to observe and score providers.

11. It is estimated that there will be increased costs for train-the-trainer and provider training on the use of Environmental Rating Scales for self-assessment.
12. It is estimated there will be increased costs to provide bonuses for providers who achieve a level two or above. This assumes that 45 providers (the equivalent of those that currently have the "Gold Seal" designation) would receive a bonus of approximately \$2,200 each in the first year.

Fiscal Impact

The fiscal impact of HF 761, as amended and passed by the House, on the State General Fund is estimated to be \$973,000 in FY 2006 and \$1.4 million in FY 2007. The table below provides a breakdown for the utilization of the estimated increase in expenditures:

Anticipated Cost Increases	FY 2006	FY 2007
Empowerment Web Site & Data Coord.	\$ 73,000	\$ 74,000
Project Management & Support	150,000	300,000
Marketing & Public Awareness	50,000	100,000
Child Care Center Specialists	250,000	250,000
Environ. Rating Scale Development & Observ.	150,000	300,000
Train-the-Trainer & Provider Training	200,000	200,000
Provider Bonuses	100,000	200,000
Total	\$ 973,000	\$ 1,424,000

Sources

Department of Management, Community Empowerment Office
Department of Human Services

/s/ Holly M. Lyons

April 11, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
